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Canadian Investment
Regulatory
Organization

Organisme canadien
de réglementation
des investissements

Notice of Hearing

File No. 202332

**IN THE MATTER OF
THE MUTUAL FUND DEALER RULESⁱ
and
Patrick Joseph Conlin**

NOTICE OF HEARING

NOTICE is hereby given that a disciplinary proceeding has been commenced by the Canadian Investment Regulatory Organization (“CIRO”) against Patrick Joseph Conlin (the “Respondent”). The first appearance will take place electronically by videoconference before a hearing panel of the Ontario District Hearing Committee of CIRO (the “Hearing Panel”) on March 8, 2024, at 10:00 a.m. (Eastern) or as soon thereafter as the hearing can be held. The Hearing on the Merits will take place at a time and venue to be announced. Members of the public who would like to attend the first appearance by videoconference as an observer should contact hearings@ciro.ca to obtain particulars.

DATED this 21st day of December 2023.

“Michelle Pong”

Michelle Pong
Director, District Hearing Committees,
Mutual Fund Dealer Division

Canadian Investment Regulatory Organization
121 King Street West, Suite 2000
Toronto, ON M5H 3T9
Telephone: 416-945-5134
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NOTICE is further given that CIRO alleges the following violations of the Mutual Fund Dealer Rules:¹

Allegation #1: Between December 2020 and June 2021, the Respondent:

- (a) completed Know Your Client information on account opening documents to open accounts for investors at an investment dealer where he was not registered; and
- (b) provided recommendations to an investor in respect of non-mutual fund securities outside the Dealer Member,

contrary to the Dealer Member's policies and procedures and Mutual Fund Dealer Rules 1.1.1, 2.1.1, and 1.1.2 (as it relates to Rule 2.5.1).

Allegation #2: Between June 2021 and July 5 2021, the Respondent failed to process transactions requested by a client, contrary to Mutual Fund Dealer Rule 2.1.1.

Allegation #3: Commencing on February 4, 2022, the Respondent failed to cooperate with an investigation by the MFDA into the Respondent's conduct, contrary to Mutual Fund Dealer Rule 6.2.1.

PARTICULARS

NOTICE is further given that the following is a summary of the facts alleged and intended to be relied upon by CIRO at the hearing:

¹ Staff alleges that, at the time of conduct addressed in this proceeding, the Respondent contravened MFDA Rules 1.1.1, 2.1.1, 1.1.2, (as it relates to MFDA Rule 2.5.1) and section 22.1 of MFDA By-law No. 1, which are now incorporated into Mutual Fund Dealer Rules 1.1.1, 2.1.1, 1.1.2 (as it relates to Rule 2.5.1) and 6.2.1 referred to in this proceeding. On January 21, 2021, amendments to MFDA Rule 1.1.1 came into effect. As the conduct addressed in this proceeding occurred before and after the amendments to these Rules the version of MFDA Rule 1.1.1 that was in effect between January 7, 2004 and January 21, 2021 and the version that was in effect between January 21, 2021 and December 31, 2022 are applicable to this proceeding. On July 7, 2022, amendments to MFDA Rule 1.1.2 came into effect. As the conduct addressed in this proceeding pre-dated the amendments to this Rule, the version of MFDA Rule 1.1.2 that was in effect prior to July 7, 2022 is applicable to this proceeding.

Registration History

1. Between August 28, 2019 and October 19, 2021 the Respondent was registered in Ontario as a dealing representative with Investors Group Financial Services Inc. (“IGFS”), a Dealer Member of CIRO, formerly a Member of the MFDA.²
2. On October 19, 2021, IGFS terminated the Respondent, and the Respondent is not currently registered in the securities industry in any capacity.
3. At all material times, the Respondent carried on business in the London, Ontario area.

Allegation #1 – Completing Investment Dealer Account Documents and Advising in Respect of Non-Mutual Fund Securities

4. At all material times, IGFS’s policies and procedures permitted its Approved Persons to assist clients with completing account applications for clients of Investors Group Securities Inc. (“IGSI”), which is an investment dealer affiliated with IGFS. While IGFS permitted its Approved Persons to record biographical information (name, age and address) on IGSI account applications, it prohibited its Approved Persons from recording Know Your Client (“KYC”) information, including investment knowledge, risk tolerance, investment objectives and primary purpose of account. IGFS advised its Approved Persons that completing a client’s KYC information on IGSI account forms was conduct that exceeded the scope of their mutual fund registration.
5. In or around December 2020, JG was a client of an investment dealer (“A Ltd.”), where JG held investments in a Registered Retirement Savings Plan (“RRSP”). JG’s company (“JG Ltd.”) also held an investment account at A Ltd.

² The Respondent was previously registered in Ontario as a dealing representative in the mutual fund industry between June 15, 2004 and September 9, 2005.

6. In or around December 2020, the Respondent met with JG, and recommended that JG transfer his RRSP and JG Ltd.'s investment account from A Ltd. to IGFS, where the Respondent would service the accounts.
7. Prior to transferring the accounts from A Ltd. to IGFS, the Respondent arranged to transfer the investments held at A Ltd. in-kind to IGSI.
8. On December 24, 2020, the Respondent prepared two New Account Application Forms (the "NAAFs") to open an RRSP account for JG, and a corporate account for JG Ltd. at IGSI in order to receive the transfer of the investments in-kind from the accounts at A Ltd.
9. Contrary to IGFS's policies and procedures described above, and beyond the terms of the Respondent's registration, the Respondent completed KYC information for JG and JG Ltd. on the NAAFs, including risk tolerance, investment objectives and knowledge, and also signed the NAAFs as the Consultant on the accounts at IGSI.
10. In or around February 2021, investments were transferred in kind from JG's RRSP account and JG Ltd.'s corporate account at A Ltd. to IGSI.
11. The Respondent opened at IGFS an RRSP account for JG and a corporate account for JG Ltd., and on or about March 12, 2021, the Respondent prepared and submitted to IGFS a Transfer Authorization form to transfer in cash the holdings in JG's RRSP account from IGSI to IGFS. JG's investments in his RRSP account at IGSI were redeemed, and the redemption proceeds totaling approximately \$219,176 were transferred to JG's RRSP account at IGFS.
12. At this time, no investments or monies were transferred from JG Ltd.'s account at IGSI to IGFS.
13. Beginning in March 2021, JG asked the Respondent for advice about investing the monies in his RRSP account at IGFS. JG also asked the Respondent for investment advice in respect of company JG Ltd.'s account that at the time was held at IGSI.

14. On June 11, 2021, the Respondent provided JG with recommendations to sell certain non-mutual fund securities held in the account of JG Ltd. at IGSI based on the performance of the securities, and recommended that JG invest the proceeds of the sales of the non-mutual fund securities in a mutual fund in JG Ltd.'s account.

15. The Respondent was only registered to advise or trade in mutual funds at IGFS. At no time was the Respondent registered to trade or advise in non-mutual fund securities in client accounts at IGSI or at all.

16. By providing investment advice to JG pertaining to non-mutual fund securities in the accounts of JG Ltd. at IGSI, the Respondent engaged in:

- (a) conduct that was beyond the terms of his registration; and
- (b) securities related business that was not carried on for the account of IGFS or through its facilities.

17. By virtue of the foregoing, the Respondent:

- (a) completed Know Your Client information on account opening documents to open accounts at IGSI for JG and JG Ltd.; and
- (b) provided recommendations in respect of non-mutual fund securities in the accounts of JG Ltd. outside of IGFS,

contrary to the Dealer Member's policies and procedures and Mutual Fund Dealer Rules 1.1.1, 2.1.1, and 1.1.2 (as it relates to Rule 2.5.1).

Allegation #2 - Failure to Follow Client Instructions

18. On June 21, 2021, JG instructed the Respondent to:

- (a) transfer \$55,371 from JG Ltd.'s account at IGSI to JG's RRSP account at IGFS; and

- (b) use monies in JG's RRSP account at IGFS totaling \$275,000 to purchase a mutual fund.

19. The Respondent had not processed the transactions that JG had instructed, and on or about July 5, 2021, JG contacted the Respondent to query why the monies had not been invested. The Respondent did not reply to JG's query.

20. The Respondent failed to process the transfer of the monies and the purchase of the mutual fund instructed by JG.

21. On or about August 4, 2021, JG complained to IGFS that the Respondent had failed to process the transactions as JG instructed, and informed it that he incurred losses as a result. IGFS has offered compensation to JG.

22. IGFS assigned another Approved Person to service JG's account, and subsequently, the transactions that JG had previously requested were processed by IGFS.

23. By virtue of the foregoing, the Respondent failed to process transactions requested by a client, contrary to Mutual Fund Dealer Rule 2.1.1.

Allegation #3 – Failure to Cooperate with an Investigation

24. On August 21, 2021, IGFS reported to the MFDA that it received a complaint from JG alleging that JG suffered investment losses due to the Respondent not responding to JG's email requests or investing JG's monies.

25. Staff of the MFDA (now Staff of CIRO) ("Staff") commenced an investigation into JG's allegations.

26. On January 20, 2022, Staff informed the Respondent that it received a complaint from JG alleging that despite requests to invest his assets, the Respondent failed to submit the necessary investment instructions to execute JG's requests. Staff requested, among

other things, that the Respondent provide a statement in response to the allegations by February 4, 2022.

27. On February 4, 2022, the Respondent called Staff to request an extension until February 11, 2022 to respond to Staff's request.

28. The Respondent did not respond by February 11, 2022, and on February 15, 2022, Staff emailed the Respondent a letter re-iterating its request that the Respondent provide a statement no later than February 17, 2022.

29. The Respondent did not respond to Staff's February 15, 2022 letter.

30. On July 26, 2022, Staff sent a letter and email to the Respondent requesting that the Respondent attend an interview by videoconference with Staff in relation to the matters under investigation. Staff requested that the Respondent contact Staff within 10 business days to schedule the interview.

31. On August 9, 2022, the Respondent acknowledged receipt of the interview request letter, and requested additional information about the interview. Staff provided the Respondent with the information on the same day.

32. On August 29, 2022, Staff emailed the Respondent to schedule an interview by videoconference.

33. On September 20, 2022, Staff personally served the Respondent with a letter advising the Respondent that he was required to attend an interview with Staff scheduled on October 12, 2022. Staff requested that the Respondent contact Staff before September 30, 2022 to confirm that he would attend the interview.

34. Between October 11, 2022 and October 25, 2022, the Respondent emailed Staff requesting that the interview be postponed.

35. Staff ultimately scheduled the interview of the Respondent for December 13, 2022, and on December 6, 2022, Staff provided the Respondent with the information to

participate at the interview by videoconference. On December 9, 2022, Staff emailed the Respondent to advise that, if the Respondent failed to attend the interview, Staff would seek authorization to commence enforcement proceedings against the Respondent for failing to cooperate.

36. The Respondent failed to attend the interview scheduled on December 13, 2022 or at all.

37. As a result of the Respondent's failure to cooperate with Staff's investigation, Staff could not determine the full nature and extent of the Respondent's conduct described above.

38. By virtue of the foregoing, the Respondent failed to cooperate with Staff's investigation into his conduct, contrary to Mutual Fund Dealer Rule 6.2.1.

NOTICE is further given that the Respondent shall be entitled to appear and be heard and be represented by counsel or agent at the hearing and to make submissions, present evidence and call, examine and cross-examine witnesses.

NOTICE is further given that pursuant to Mutual Fund Dealer Rule 1A that any person subject to the jurisdiction of the Mutual Fund Dealers Association of Canada prior to January 1, 2023 remains subject to the jurisdiction of CIRO in respect of any action or matter that occurred while that person was subject to the jurisdiction of the Mutual Fund Dealers Association of Canada at the time of such action or matter.

NOTICE is further given that the Mutual Fund Dealer Rules provide that if, in the opinion of the Hearing Panel, the Respondent:

- has failed to carry out any agreement with CIRO;
- has failed to comply with or carry out the provisions of any federal or provincial statute relating to the business of the Dealer Member or of any regulation or policy made pursuant thereto;

- has failed to comply with the provisions of the Mutual Fund Dealer Rules of CIRO;
- has engaged in any business conduct or practice which such Hearing Panel in its discretion considers unbecoming or not in the public interest; or
- is otherwise not qualified whether by integrity, solvency, training or experience,

The Hearing Panel has the power to impose any one or more of the following penalties:

- (a) a reprimand;
- (b) a fine not exceeding the greater of:
 - (i) \$5,000,000.00 per offence; and
 - (ii) an amount equal to three times the profit obtained or loss avoided by such person as a result of committing the violation;
- (c) suspension of the authority of the person to conduct securities related business for such specified period and upon such terms as the Hearing Panel may determine;
- (d) revocation of the authority of such person to conduct securities related business;
- (e) prohibition of the authority of the person to conduct securities related business in any capacity for any period of time;
- (f) such conditions of authority to conduct securities related business as may be considered appropriate by the Hearing Panel;

NOTICE is further given that the Hearing Panel may, in its discretion, require that the Respondent pay the whole or any portion of the costs of the proceedings before the Hearing Panel and any investigation relating thereto.

NOTICE is further given that the Respondent must **serve a Reply** on Enforcement Counsel and **file a Reply** with the Office of the Corporate Secretary, Mutual Fund Dealer Division within twenty (20) days from the date of service of this Notice of Hearing.

A **Reply** shall be **served** upon Enforcement Counsel at:

Canadian Investment Regulatory Organization
Mutual Fund Dealer Division
121 King Street West, Suite 2000
Toronto, ON M5H 3T9
Attention: Kirshita Seevaratnam Baker
Email: kseevaratnambaker@ciro.ca

A **Reply** shall be **filed** by:

- (a) providing 4 copies of the **Reply** to the Office of the Corporate Secretary, Mutual Fund Dealer Division by personal delivery, mail or courier to:

Canadian Investment Regulatory Organization
Mutual Fund Dealer Division
121 King Street West, Suite 1000
Toronto, ON M5H 3T9
Attention: Office of the Corporate Secretary; or

- (b) transmitting 1 electronic copy of the **Reply** to the Office of the Corporate Secretary, Mutual Fund Dealer Division by e-mail at hearings@ciro.ca.

A **Reply** may either:

- (i) specifically deny (with a summary of the facts alleged and intended to be relied upon by the Respondent, and the conclusions drawn by the Respondent based on the alleged facts) any or all of the facts alleged or the conclusions drawn by CIRO in the Notice of Hearing; or
- (ii) admit the facts alleged and conclusions drawn by CIRO in the Notice of Hearing and plead circumstances in mitigation of any penalty to be assessed.

NOTICE is further given that the Hearing Panel may accept as having been proven any facts alleged or conclusions drawn by CIRO in the Notice of Hearing that are not specifically denied in the **Reply**.

NOTICE is further given that if the Respondent fails:

- (a) to **serve** and **file** a **Reply**; or
- (b) attend at the hearing specified in the Notice of Hearing, notwithstanding that a **Reply** may have been served,

the Hearing Panel may proceed with the hearing of the matter on the date and the time and place set out in the Notice of Hearing (or on any subsequent date, at any time and place), without any further notice to and in the absence of the Respondent, and the Hearing Panel may accept the facts alleged or the conclusions drawn by CIRO in the Notice of Hearing as having been proven and may impose any of the penalties described in the Mutual Fund Dealer Rules.

End.

ⁱ On January 1, 2023, the Investment Industry Regulatory Organization of Canada (“IIROC”) and the Mutual Fund Dealers Association of Canada (the “MFDA”) were consolidated into a single self-regulatory organization recognized under applicable securities legislation that is called the Canadian Investment Regulatory Organization (referred to herein as “CIRO”). CIRO adopted interim rules that incorporate the pre-amalgamation regulatory requirements contained in the rules and policies of IIROC and the by-law, rules and policies of the MFDA (the “Interim Rules”). The Interim Rules include (i) the Investment Dealer and Partially Consolidated Rules, (ii) the UMIR and (iii) the Mutual Fund Dealer Rules. These rules are largely based on the rules of IIROC and certain by-laws, rules and policies of the MFDA that were in force immediately prior to amalgamation. Where the rules of IIROC and the by-laws, rules and policies of the MFDA that were in force immediately prior to amalgamation have been incorporated into the Interim Rules, Enforcement Staff have referenced the relevant section of the Interim Rules. Pursuant to Mutual Fund Dealer Rule 1A and s.14.6 of By-Law No. 1 of CIRO, contraventions of former MFDA regulatory requirements may be enforced by CIRO.